

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1.1 REPORTING ENTITY

Mandela Bay Development Agency (MBDA) is a municipal entity (registered section 21 company) with the Nelson Mandela Bay Municipality (NMBM) as its parent municipality. The MBDA's registered address is The City Hall, Port Elizabeth. The MBDA is situated in the Nelson Mandela Bay Municipality of the Eastern Cape Province. The Agency has been established by the NMBM with the assistance of the Industrial Development Corporation (IDC) to project manage urban regeneration of the inner metro precinct with a view to promoting economic and tourism development.

1.2 BASIS FOR PRESENTATION

1.2.1 Statement of Compliance

The annual financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Practices Board replacing the equivalent SA GAAP Statement as follows:

Standard of GRAP
GRAP 1: Presentation of financial statements
GRAP 2: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors

Currently the recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements.

The Minister has determined that the effective date for the above standards of GRAP shall be
 - December 2005 for GRAP 1, 2 and 3

Directives issued and effective

Reference	Topic
Directive 1	Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
Directive 2	Transitional Provisions for the adoption of Standards of GRAP by Public Entities and Constitutional institutions
Directive 3	Transitional Provisions for the adoption of Standards of GRAP by High Capacity Municipalities
Directive 4	Transitional Provisions for the adoption of Standards of GRAP by Medium and Low Municipalities
Directive 5	Determining the GRAP Reporting Framework

1.2.1.1 Specific information is presented separately on the statement of financial position such as:

- a) Receivables from non-exchange transactions including transfers
- b) Trade and Other Payables from non-exchange transactions

1.2.2 Basis of measurement

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention or fair value if stated as such.

1.2.3 Use of Estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 5 – provisions

Performance bonus provisions are based on employment contract stipulations as well as previous performance bonus payment trends.

The estimated useful lives of all property, plant and equipment were revised as part of the annual assessment process and was based on latest replacement cost.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

1.3 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

1.4 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Items of property, plant and equipment are depreciated using the straight line basis at rates that will reduce the book values to estimated residual values over the anticipated useful lives of the assets concerned. The principal useful lives used for this purpose are:

Assets	Useful life in Years
- Computer Equipment	4 - 8
- Computer Software	2
- Office Equipment	5 - 10
- Furniture and Fittings	10
- Motor Vehicles	4 - 5
- Leasehold Assets	3

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Surpluses or deficits on the disposal of assets are credited or charged to income. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

1.6 CONSTRUCTION CONTRACT RETENTION CREDITORS

The Agency received grant funding from its parent municipality to undertake certain infrastructure development projects (refer to note 1.13). It accounts for costs incurred on construction of these infrastructure development projects using the percentage of completion method which is certified by the consulting engineer.

1.7 FINANCIAL INSTRUMENTS

1.7.1 Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

1.7.2 Impairment of Financial Assets

The company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

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1.7.3 Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence that the Agency will not be able to collect all of the amounts due under the original terms of the invoice such as a debtor experiencing financial difficulty, default interest or principal repayments or the probability of bankruptcy. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

1.7.4 Derecognition of financial assets and liabilities

1.7.4.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

The rights to receive cash flows from the asset have expired; or the Agency retains the right to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either (a) the Agency has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

1.7.4.2 Financial Liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Agency determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs.

The Agency's financial liabilities include trade and other payables.

1.7.5 Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well through the amortisation schedule.

1.7.6 Loans and Receivables

Loans and receivables are non-directive financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of financial performance when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

1.8 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and with banks. Cash equivalents are short-term, liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. Cash in the statement of financial position comprises of cash at bank and on hand and short-term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Cash and cash equivalents are measured at amortised cost.

1.9 PROVISIONS

A provision is recognised when the Agency has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the estimate of the expenditure required to settle the present obligation at the balance sheet date.

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)****1.9.1 Performance Bonus**

Where performance appraisals have not yet been performed at year-end, a performance bonus provision is made based on the employment contract stipulations as well as previous performance bonus payment trends.

1.10 REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other taxes or duties. The following specific recognition criteria must be met before revenue is recognised.

1.10.1 Deferred Income

Government grants shall be recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. They shall not be credited directly to shareholders' interests. Similarly, grants related to depreciable assets are usually recognised as income over the periods and in the proportions in which depreciation on those assets is charged.

1.10.2 Interest

Interest is recognised on a time proportion basis which takes into account the effective yield on the asset over the period it is expected to yield.

1.11 OPERATING CONDITIONAL GRANTS

Operating conditional grants and public contributions are recognised as revenue to the extent that the Agency has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.12 VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amount of Value Added Tax except:

- where the Value Added Tax incurred on a purchase of assets or services is not recoverable from taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of Value Added Tax included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.13 UNSPENT PROJECT FUNDING

Unutilised project funding are reflected on the Statement of Financial Position as a Current Liability-Unspent Project Funding. The cash received is invested until it is utilised.

1.14 COMPARATIVE INFORMATION**1.14.1 Current year comparatives:**

Budgeted amounts have been included in the annual financial statements for the current year only.

1.14.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior year comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)****1.15 TAXATION**

The Agency has received a tax exemption certificate from South African Revenue Services.

1.16 OPERATING LEASES

Operating leases do not transfer to the Agency substantially all the risks and benefits incidental to ownership of the leased item. Operating leased payments are recognised as an expense in the statement of financial performance on a straight-line basis over the lease term.

1.17 RETIREMENT BENEFITS

The policy of the company is to provide retirement benefits for all its employees. The company has a defined contribution plan. Current contributions to the retirement benefit plan operated for employees are charged against the income in the period to which they relate.

1.18 Statements in issue but not yet effective

There are Standards and Interpretations in issue but not yet effective and in addition, minor amendments have been made to the Standards with a view to removing inconsistencies and clarification of wording. The directors have considered all of these Standards and Interpretations and found the following to be applicable to MBDA:

Standard of GRAP

No.	Effective Date
GRAP 9 Revenue from Exchange Transactions	1 July 2009
GRAP 11 Construction Contracts	1 July 2009
GRAP 13 Leases	1 July 2009
GRAP 14 Events After the Reporting Date	1 July 2009
GRAP 17 Property, Plant and Equipment	1 July 2009
GRAP 19 Provisions, Contingent Liabilities Assets	1 July 2009
GRAP 21 Impairment of non cash generating units	No effective date gazetted to date
GRAP 23 Revenue from non exchange transactions	No effective date gazetted to date
GRAP 24 Presentation of budget information in financial statements	No effective date gazetted to date
GRAP 26 Impairment of cash generating units	No effective date gazetted to date

Effective accrual based IPSASs considering the provisions in paragraph 15 to 19 of Directive 5

No.	Topic
IPSAS 20	Related Party Disclosures
IPSAS 21	Impairment of Non Cash-Generating Assets

Applicable Statements of SA GAAP

No	Effective date
IAS 32 Amendments to IAS 32 Financial Instruments: Presentation	1 January 2009
IFRIC 15 Agreements for the construction of real estate	1 January 2009

It is expected that the following new or revised standards and interpretations will have no effect on MBDA's financial statements.

Standard of GRAP

No.	Effective Date
GRAP 4 The Effects of Changes in Exchange Rates	1 July 2009
GRAP 5 Borrowing Costs	1 July 2009
GRAP 6 Consolidated and Separate Financial Statements	1 July 2009
GRAP 7 Investments in Associates	1 July 2009
GRAP 8 Investments in Joint Ventures	1 July 2009
GRAP 10 Financial Reporting in Hyperinflationary Economies	1 July 2009
GRAP 12 Inventories	1 July 2009
GRAP 16 Investment Property	1 July 2009
GRAP 18 Segment Reporting	No effective date gazetted to date
GRAP 100 Non – current Assets Held for Sales and Discontinued Operations	1 July 2009
GRAP 101 Agriculture	1 July 2009
GRAP 103 Heritage assets	No effective date gazetted to date

Applicable Statements of SA GAAP

No	Effective date
IFRS 1 Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards	1 January 2009
IFRS 2 Amendments to IFRS 2 - share - based payment - vesting conditions and cancellations	1 January 2009
IFRS 3 Business Combinations	1 July 2009
IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items	1 July 2009
IFRIC 16 Hedges of net investment in a foreign operation	1 January 2009
IFRIC 17 Distribution of non-cash assets to owners	1 July 2009
IFRIC 18 Transfer of assets from customers	1 July 2009
Improvements to IFRS	1 January 2009

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

	2009 R	2008 R
2 CONSTRUCTION CONTRACT RETENTION CREDITORS		
Rand Civils - GMA 1	194,150	718,456
Rand Civils - GMA 2	1,516,554	386,257
Rand Civils - Parliament Street	268,756	201,548
Trenchless Technologies	-	63,634
	<u>1,979,460</u>	<u>1,369,895</u>
Less: Short term portion transferred to Current Liabilities	<u>(462,906)</u>	<u>(473,136)</u>
	<u>1,516,554</u>	<u>896,759</u>

Construction contract retention creditors relate to retentions held in projects in line with accepted construction accounting principles. Such retentions are payable 12 months after official sign off of the project, and are non-interest bearing.

3 DEFERRED INCOME

Opening Balance	606,435	658,489
Add: Additions	190,297	73,217
Less: Deferred Income Transferred to Revenue	<u>(137,791)</u>	<u>(125,271)</u>
- Depreciation	<u>(137,791)</u>	<u>(113,625)</u>
- Disposals	<u>-</u>	<u>(11,646)</u>
	<u>658,941</u>	<u>606,435</u>
Less: Short Term Portion	<u>(131,243)</u>	<u>(110,686)</u>
	<u>527,698</u>	<u>495,749</u>

4 TRADE AND OTHER PAYABLES

Trade Creditors	8,060,945	6,764,759
PAYE	68,885	59,839
UIF	2,964	2,440
Audit fees	80,000	31,000
Staff leave	122,317	52,756
Legal fees	10,446	27,000
13th Cheque	41,186	67,862
VAT	-	876,142
Sundry Creditors	<u>142,754</u>	<u>232,124</u>
	<u>8,529,497</u>	<u>8,113,922</u>

Trade and other payables are non-interest bearing and are normally settled on invoice or 30 days terms.

5 PROVISIONS

Performance bonuses

Balance at beginning of year	198,176	168,645
Additions	209,497	198,176
Adjustment for underprovision	(11,537)	-
Expenditure incurred	<u>(186,639)</u>	<u>(168,645)</u>
Balance at end of year	<u>209,497</u>	<u>198,176</u>

Performance bonuses are paid in July of each year to senior management in line with the Agency's executive performance management policy.

Narrow Gauge Contract

Balance at beginning of year	-	150,007
Contributions to Provisions	-	-
Expenditure incurred	<u>-</u>	<u>(150,007)</u>
Balance at end of year	<u>209,497</u>	<u>198,176</u>

This is a feasibility study performed on the commercial viability of the Narrow Gauge railway line from Humerail in Port Elizabeth to Hankey

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

	2009 R	2008 R
6 UNSPENT PROJECT FUNDING	41,817,338	28,374,277
IDC	-	1,063,981
Opening Balance	1,063,981	-
Amount Received	-	2,500,000
Recognised as Income	(1,063,981)	(1,436,019)
NMBM	41,817,338	27,310,296
Opening Balance	27,310,296	38,310,431
Grants for the year	71,908,775	42,958,884
CAPITAL ASSETS TRANSFERRED TO NMBM	(45,653,464)	(42,954,557)
Less: Completed and Transferred Assets	(17,281,269)	-
Infrastructure - GMA 1 Upgrade	(2,985,508)	-
Infrastructure - Sewer Rehabilitation	-	-
Infrastructure - Parliament Street Upgrade	(14,295,761)	-
Less: Transferred Work in Progress	(28,372,195)	(42,954,557)
Infrastructure - GMA 2 Upgrade	(23,343,188)	(7,224,117)
Design - Donkin Reserve Project	(1,920,741)	-
Design - Strand Street Project	(3,108,266)	-
Infrastructure - GMA 1 Upgrade	-	(28,922,541)
Infrastructure - Sewer Rehabilitation	-	(2,790,544)
Infrastructure - Parliament Street Upgrade	-	(4,017,355)
Less: Amount Recognised as income during the year	(11,557,972)	(10,942,891)
Interest Received	3,201,985	2,184,968
Sundry Income	301,740	108,428
Operating expenses	(15,061,697)	(13,236,287)
Less: Amount Transferred to Deferred Income	(190,297)	(73,217)
Add: Disposal	-	11,646
	2009 R	2008 R
Operational grant included in the NMBM unspent project funding:	5,062,179	1,704,303

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

7 PROPERTY, PLANT AND EQUIPMENT

2009
R

	Cost				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Depreciation	Disposal	Closing Balance	
Computer Equipment	423,767	22,793	-	446,560	170,636	63,139	-	233,775	212,785
Computer Software	38,504	-	-	38,504	26,427	3,899	-	30,326	8,178
Office Equipment	47,491	8,391	-	55,882	13,396	6,882	-	20,278	35,604
Furniture & Fittings	384,276	39,113	-	423,389	96,697	34,416	-	131,113	292,276
Motor Vehicles	16,053	120,000	-	136,053	7,402	19,811	-	27,213	108,840
Leasehold Assets	17,192	-	-	17,192	6,290	9,644	-	15,934	1,258
	927,283	190,297	-	1,117,580	320,848	137,791	-	458,639	658,941

2008
R

	Cost				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Depreciation	Disposal	Closing Balance	
Computer Equipment	392,297	43,810	(12,340)	423,767	107,732	63,598	(694)	170,636	253,131
Computer Software	40,524	-	(2,020)	38,504	24,547	3,900	(2,020)	26,427	12,077
Office Equipment	41,747	5,744	-	47,491	7,536	5,860	-	13,396	34,095
Furniture & Fittings	360,613	23,663	-	384,276	64,869	31,828	-	96,697	287,579
Motor Vehicles	16,053	-	-	16,053	3,995	3,407	-	7,402	8,651
Leasehold Assets	17,192	-	-	17,192	1,258	5,032	-	6,290	10,902
	868,426	73,217	(14,360)	927,283	209,937	113,625	(2,714)	320,848	606,435

NOTE

No item of Property, Plant and Equipment has been pledged as security for liabilities.

8 TRADE AND OTHER RECEIVABLES

2009
R2008
R

Trade Debtors	6,223,363	14,040,055
Sundry Debtors	153,698	61,886
VAT	110,921	-
	6,487,982	14,101,941

Trade and other payables are non-interest bearing and are normally settled on invoice date or 30 days terms.

Provision for Bad Debts

As at 30 June 2009 no trade receivables are considered impaired.

9 DEPOSITS

Telkom	2,100	2,100
Portnet Rental	2,000	2,000
Africorp Parking Bay and Remote Controls	1,400	1,400
Salaries' Savings Account	105	105
F M Adekunle Stores	1,000	-
	6,605	5,605

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

	2009 R	2008 R
10 CASH AND CASH EQUIVALENTS		
<i>The Agency has the following bank accounts</i>		
<u>Current Account (Primary Account)</u>		
Standard Bank of SA Limited, Rink Street, Port Elizabeth Account Number - 080308503		
Cashbook balance at beginning of year	71,266	100,469
Cashbook balance at end of the year	491,274	71,266
Bank statement balance at beginning of the year	71,266	100,469
Bank statement balance at end of the year	491,274	71,266
<u>Savings Account</u>		
Standard Bank of SA Limited, Rink Street, Port Elizabeth Account Number - 38368193000		
Cashbook balance	191	126
Bank statement balance	191	126
<u>Short Term Investments</u>		
Standard Bank of SA Limited, Rink Street, Port Elizabeth Account Number - 08846132		
<u>Call Account Deposits</u>		
Cashbook balance at beginning of year	23,877,332	19,575,522
Cashbook balance at end of the year	45,549,740	23,877,332
Bank statement balance at beginning of the year	23,877,332	19,575,522
Bank statement balance at end of the year	45,549,740	23,877,332
<i>Which are disclosed in the Statement of Financial Position as follows:-</i>		
Cash and cash equivalents	46,041,205	23,948,724
Current Account (Primary Account)	491,274	71,266
Savings Account	191	126
Call Account Deposits	45,549,740	23,877,332
NOTE:		
<i>All amounts of Cash and Cash Equivalents are available for use by the Agency.</i>		
11 REVENUE		
IDC Grant	1,063,982	1,436,019
NMBM Conditional Grants & Receipts	11,557,971	10,941,397
Interest Received - cash and cash equivalents	3,201,985	2,184,968
Deferred Income	137,791	115,119
(Refer to Note 6)	15,961,729	14,677,503
12 OTHER INCOME		
Request for Proposal Deposits	93,151	96,596
Sundry income	45,782	11,832
NMBM Costs re-imbursements	162,807	-
	301,740	108,428

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

	2009 R	2008 R
13 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	3,492,500	2,912,584
Employee related costs - Social Contributions	769,114	546,945
Car allowances	108,000	107,000
Performance bonus provision	209,517	198,176
Total Employee Related Costs	4,579,131	3,764,705
Remuneration of the Chief Executive Officer		
Annual Remuneration including social contributions	954,190	854,733
Car allowance	60,000	60,000
Performance bonus provision	107,160	119,598
Total	1,121,350	1,034,331
Remuneration of Chief Financial Officer		
Annual Remuneration including social contributions	547,100	480,668
Car allowance	24,000	24,000
Performance bonus provision	59,584	65,912
Total	630,684	570,580
Remuneration of Planning and Development Manager		
Annual Remuneration including social contributions	420,125	222,575
Car allowance	24,000	23,000
Performance bonus provision	26,887	12,666
Total	471,012	258,241
Remuneration Operations Manager		
Annual Remuneration including social contributions	301,749	-
Car allowance	-	-
Performance bonus provision	15,886	-
Total	317,635	-
14 INTEREST PAID		
Interest on overdraft	-	576
Interest Paid on late payment of VAT	2,425	-
	2,425	576
15 CASH (UTILISED IN)/GENERATED FROM OPERATIONS		
Surplus/(deficit) for the year	-	-
Depreciation	137,791	113,625
Investment Income	(3,201,985)	(2,184,968)
Interest Paid	2,425	576
Loss on sale of Property Plant and Equipment	-	1,494
Increase in provisions	11,321	(120,476)
Operating loss before working capital changes	(3,050,448)	(2,189,749)
Increase in Trade and other Payables	415,575	5,544,156
Increase in unspent project funding	13,495,567	(9,988,213)
Increase in construction contract retention creditors	609,565	673,997
Decrease in construction (work in progress)	-	17,246,984
(Increase)/decrease in Trade and other Receivables	7,613,959	(9,135,870)
Increase in deposits paid	(1,000)	-
Cash generated from operations	19,083,218	2,151,305

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

	2009 R	2008 R
16 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT		
16.1 Audit fees		
Opening balance	31,000	23,000
Current year audit fee	80,000	105,200
Amount paid - current year	(169,173)	(74,200)
Amount paid - previous year	(21,194)	(23,000)
Adjustment of provision	159,367	-
Balance unpaid	80,000	31,000
16.2 PAYE and UIF		
Opening balance	62,279	58,473
Current year payroll deductions	926,545	798,340
Amount paid - current year	(854,696)	(736,061)
Amount paid - previous year	(62,279)	(58,473)
Balance unpaid	71,849	62,279
16.3 Performance Bonuses		
Opening balance	198,176	168,645
Amount paid	(186,639)	(168,645)
Provisions for the year	209,497	198,176
Adjustment of provision	(11,537)	-
Balance unpaid	209,497	198,176
16.4 Provident Fund		
Opening balance	26,885	-
Amount paid	(428,095)	(259,391)
Additions	401,210	286,276
Balance unpaid	-	26,885

The Agency contributes to the Liberty Corporate Selection Group Life Scheme, a defined contribution plan which is required to be actuarially valued. The fund is governed under the Pension Fund Act, 1956 as amended.

The employer makes a monthly contribution of 15% of staff members' salary in respect of members belonging to the Provident Fund. A total of 13 members belong to the fund.

17 VALUE ADDED TAX

As at 30 June 2009 all VAT returns have been submitted timeously to the South African Revenue Services.

18 RELATED PARTIES**18.1 Relations**

Parent Municipality	Nelson Mandela Bay Municipality
Funder	Industrial Development Corporation

18.2 Related party balances

Amounts included in Trade and Other Receivables (Trade and Other Payables) regarding related parties

Nelson Mandela Bay Municipality	6,214,632	14,040,055
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These balances have no fixed terms and conditions. (Refer to note 8)

Refer to note 11 relating to NMBM and IDC revenue.

Refer to note 6 relating to NMBM and IDC unspent project funding.

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

	2009 R	2008 R
19 KEY MANAGEMENT PERSONNEL		
The following are persons having authority and responsibility for planning, directing and controlling the activities of the municipal entity, directly or indirectly including any director of MBDA:		
Chief Executive Officer: Pierre Voges		
Chief Financial Officer: Ashwin Badra Daya		
Planning and Development Manager: Dorelle Giuliana Esilda Sapere		
Operations Manager: Mcebisi Nealu		

Their short term employee benefits are disclosed in note 13.

20 CONTINGENT LIABILITY

The Agency is being sued by Ms Xoliswa Hudson for the loss of income to the value of R156 000. She alleges that her business in Govan Mbeki Avenue lost clientele as a result of offensive odours that escaped from the sewer pipes and manholes that were exposed during the upgrade of the street. Based on the evidence at hand the Agency is confident that it can defend the claim and has instructed its attorneys to notify the defendant of its intention to defend. In the event that the Agency was to lose the case, total costs including legal fees are estimated to cost in the region of R350 000.

21 CONTINGENT ASSETS

We are not aware of the existence of any contingent assets at the financial year end.

22 IN-KIND DONATIONS

No in-kind donations and/or assistance was received during the financial year that would require adjustments to the annual financial statements.

23 POST BALANCE SHEET EVENTS

No events post balance sheet date occurred that would require adjustments to the annual financial statements.

24 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

Balance at beginning of year	3,743	47
Fruitless and wasteful expenditure	2,425	3,696
Balance at end of year	<u>6,168</u>	<u>3,743</u>

24.1 Interest Paid	-	576
Interest paid on bank account		
24.2 Unauthorised use of Cell phone	-	3,120
Theft of cell phone by an employee, resulting in disciplinary action and subsequent dismissal.		
24.3 VAT Penalty	2,425	-
Interest paid on late payment of VAT		

25 OPERATING LEASES

The following are the total minimum future lease payments

	0 - 1 year	1 - 5 years	more than 5 years
Office accommodation rental	74,318	-	-
Warehouse rental	5,505	-	-
Office plants rental	17,040	11,360	-
Public toilets rental	26,450	9,040	-

NOTE:

The Agency is the lessee.

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)****26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Agency's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to raise finance for the Agency's operations. The Agency's financial Assets comprise trade and other receivables and cash and short-term deposits, which arise directly from its' operations.

Classification of financial Instruments

Assets	Loans and Receivables	Financial Liability at amortised cost	Total
Trade and Other Receivables	6,487,982		6,487,982
Cash and Cash Equivalents	46,041,205		46,041,205
Liabilities			
Trade and Other Payables		8,529,504	8,529,504
	52,529,187	8,529,504	61,058,691

26.1 Interest Rate Risk

The company's exposure to the risk of changes in market interest rates relates primarily to the company's positive bank balance. As part of the process of managing the company's interest rate risk. The company's income and operating cash flows are substantially independent of changes in the market rates.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on profit before taxation (through the impact on floating rate borrowings). There is no impact on equity.

	2009	2008
	R	R
Cash and cash equivalents	46 041 205	23 948 724
Effect of a 100 basis point movement in the interest rate	(460 412)	(239 487)

26.2 Credit risk management

The Agency has no exposure to credit risk management, as it has no interest bearing borrowings.

26.3 Liquidity risk

The Agency has no present liquidity risk due to large cash reserves.

26.4 Foreign currency risk

The agency is not exposed to foreign currency risk as all trading is done locally.

27 PRIOR YEAR ERROR**27.1 Construction (WIP)**

In the prior year, a current asset called "Construction (WIP)" amounting to R42 954 557 was incorrectly recorded in the Balance Sheet as an asset of MBDA as it does not meet the definition of an asset in terms of GRAP 1 Presentation of Financial Statements. In terms of GRAP 1, an asset is a resource controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

In terms of the Service Level Agreement dated 19 December 2006 between MBDA and NMBM, MBDA act on behalf of NMBM as a strategic implementation agent with a strategic mandate to regenerate the inner city of Nelson Mandela Bay and to improve the investment climate and confidence in the Central Business District.

The asset called "Construction (WIP)" amounting R42 954 557 in 2008 will be correctly reflected as a cost against the liability called "Unspent Conditional Grants" as reflected on the Balance Sheet. Note 5 to the financial statements provides a detailed breakdown of the movements on this account.

The adjustment will have no effect on accumulated surplus.

27.2 Grants & Public Contributions Reserves

IAS20 - Government grants states that Government grants shall be recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. They shall not be credited directly to shareholders' interests. Similarly, grants related to depreciable assets are usually recognised as income over the periods and in the proportions in which depreciation on those assets is charged.

In line with IAS20, the "Grants & Public Contributions Reserves" amounting to R606 435 will have to be derecognised and shown as deferred income under non-current liabilities and the next 12 months depreciation must be reflected under current liabilities.